

# **The attributes of value co-creation in service and its impact on customers' willingness to pay. Observations from three service industries.**

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## **Abstract**

Marketing literature has propagated “customer-participation” and “co-production” in the seller-buyer framework since the 1970s (Lovelock and Young 1979), yet marketing knowledge gaps exist in this area. Recent management research emphasise the need to re-evaluate how value is created for consumers and to consider the close nature of the interactions between buyers and sellers (Payne et al 2008). Vargo and Lusch’s (2004) proposed service-dominant logic reiterates this need, arguing that the “customer is always the co-creator of value”, as they are part of the system that delivers value.

Understanding value co-creation is then important to management research, as it uncovers new opportunities to create “value” for customers. This also enables firms to formulate better pricing strategies. This thesis examines value co-creation attributes and how they may impact on the customer’s willingness to pay.

Three studies utilising qualitative and quantitative methods have been conducted to address the research question. The first two studies employed qualitative methods to derive insights into value co-creation attributes from a comparative case study perspective under two different service contexts; the defence and healthcare industries. The third study, conducted under the higher education context, employed quantitative methods to gauge the impact of value co-creation attributes on the customers’ willingness to pay.

The qualitative studies found six generic value co-creation attributes, while the quantitative study empirically verified the importance of value co-creation attributes and the fact that they may impact on the customer’s willingness to pay for a service.

This thesis validates that value co-creation is important in service provision. As customers become increasingly informed and empowered, a deeper understanding of how customers co-create value with the firm is then central to marketing activities, specifically in how firms design and price their services. Therefore, this thesis contributes to marketing knowledge by proposing value co-creation attributes that have both theoretical and managerial implications.

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